

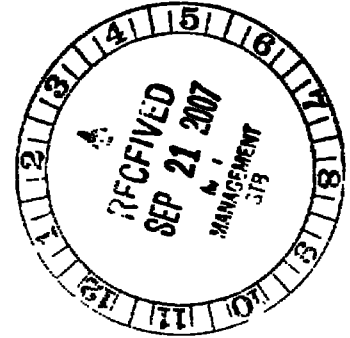
SEP 21 2007

**4:10 PM****FLETCHER & SIPPEL LLC**

ATTORNEYS AT LAW

29 North Wacker Drive  
Suite 920  
Chicago, Illinois 60606-2832**MYLES L. TOBIN**  
(312) 252-1500  
mtobin@fletcher-sippel.com**SURFACE TRANSPORTATION BOARD**Phone: (312) 252-1500  
Fax: (312) 252-2400  
www.fletcher-sippel.com

September 20, 2007

*Via Overnight (Next Business Day) Delivery***Mr. Vernon A. Williams**  
Secretary  
Surface Transportation Board  
395 E Street, S.W.  
Washington, DC 20423-0001  
Attn: Office of Recordations

Dear Secretary Williams:

Enclosed for recordation pursuant to the provisions of 49 U.S.C. Section 11301(a) are an original and two (2) copies of a Memorandum of Second Amended and Restated Loan and Security Agreement, dated as of June 21, 2007, a secondary document as defined in the Board's Rules for the Recordation of Documents.

The enclosed document relates to a Memorandum of Amended and Restated Loan and Security Agreement previously filed with the Board under Recordation Number 26497-E.

The names and addresses of the parties to the enclosed documents are:

Debtor:

Permian Basin Railways, Inc.  
Central Car Repair, LLC  
Isla Largo, LLC  
118 South Clinton Street  
Suite 400  
Chicago, Illinois 60601

Arizona Eastern Railway

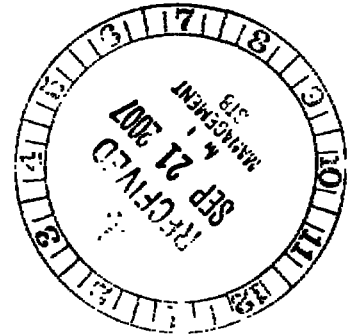
San Luis &amp; Rio Grande Railroad

Texas and New Mexico Railroad

West Texas &amp; Lubbock Railway

# FLETCHER & SIPPEL LLC

Mr. Vernon A. Williams  
September 20, 2007  
Page 2



Secured Party:

Fifth Third Bank (Chicago)  
222 South Riverside Plaza  
32<sup>nd</sup> Floor  
Chicago, Illinois 60606

A description of the railroad equipment is included as Exhibit A to the document. Included in the property covered by the aforesaid Second Amended and Restated Loan and Security Agreement are rolling stock and equipment intended for use and related to interstate commerce, and includes rolling stock or equipment acquired by Debtors or its or their successors **after the date** of the Second Amended and Restated Loan and Security Agreement.

Also enclosed is a check in the amount of \$35.00 payable to the order of the Surface Transportation Board covering the required recordation fee.

Kindly return one stamped copy of the enclosed document to the undersigned.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Myles L. Tobin'.

Myles L. Tobin  
Attorney for Secured Party

Enclosures.

SEP 21 07

**4:10 PM****SURFACE TRANSPORTATION BOARD****MEMORANDUM OF SECOND AMENDED AND RESTATED  
LOAN AND SECURITY AGREEMENT**

THIS MEMORANDUM OF SECOND AMENDED AND RESTATED LOAN AND SECURITY AGREEMENT (the "Memorandum") dated as of June 21, 2007, is made by and between Fifth Third Bank (Chicago), a Michigan banking corporation, 222 South Riverside Plaza, 32<sup>nd</sup> Floor, Chicago, Illinois 60606, (the "Bank"), and Permian Basin Railways, Inc., an Illinois corporation, Central Car Repair, LLC, an Illinois limited liability company, and Isla Largo, LLC, an Illinois limited liability company, with its chief executive office and principal place of business at 118 South Clinton Street, Suite 400, Chicago, Illinois 60661 (the "Borrowers").

WHEREAS, Borrowers and Bank are parties to that certain Loan and Security Agreement, dated as of August 1, 2006 and an Amended and Restated Loan and Security Agreement, dated as of January 19, 2007 (collectively "Loan Agreement");

WHEREAS, the Bank has recorded its security interest created by the terms of the Loan Agreement by the filing of a Memorandum of Loan and Security Agreement and Assignments of Rents and Lessors' Interest in Leases, filed with the Surface Transportation Board on August 10, 2006 and assigned recordation numbers 26497, 26497-A, 26497-B, and 26497-C and by the filing of a Memorandum of Amended and Restated Loan and Security Agreement, filed with the Surface Transportation Board on February 5, 2007 and assigned recordation number 26497-E; and

WHEREAS, Borrowers and the Bank wish to continue the security interests that were created or referenced in the foregoing recordations and wish to amend the Bank's security interests by including all interests arising pursuant to a Second Amended and Restated Loan Agreement, dated as of June 21, 2007, between the parties, which amends and restates the Loan Agreement.

1. ACCORDINGLY, pursuant to the terms of the Second Amended and Restated Loan Agreement (as the same may be amended and/or restated from time to time), and to secure the payment and performance of any and all of Borrowers' obligations to the Bank, Borrowers granted to the Bank a continuing, first priority security interest in and to, and chattel mortgage lien on, all of the Borrowers' right, title and interest in and to Locomotives, Rolling Stock and Equipment ("collateral") more specifically identified on Exhibit A, and any collateral acquired by Borrowers subsequent to June 21, 2007, to have and to hold all and every part of the collateral unto the Bank, its successors and assigns, for its and their own use and benefit forever.

IN WITNESS WHEREOF, the parties have caused this Memorandum to be executed as of the date first above written.

WITNESS:

Mehreen Sheruani

PERMIAN BASIN RAILWAYS, INC., an Illinois Corporation, individually, and as owner of Arizona Eastern Railway, San Luis & Rio Grande Railroad, Texas & New Mexico Railroad, West Texas & Lubbock Railway, and Chicago Terminal Railroad Company

By: [Signature]

Name: Edwin Ellis

Title: President

WITNESS:

Mehreen Sheruani

CENTRAL CAR REPAIR, LLC, an Illinois limited liability company

By: Iowa Pacific Holdings, LLC

Its: Manager

By: [Signature]

Title: Manager

WITNESS:

Mehreen Sheruani

ISLA LARGO, LLC, an Illinois limited liability company

By: Iowa Pacific Holdings, LLC

Its: Manager

By: [Signature]

Title: Manager

WITNESS:

Mehreen Sheruani

FIFTH THIRD BANK (CHICAGO), a Michigan Banking Corporation

By: [Signature]

[Signature]  
Craig Schmitt  
Vice President

Title: [Signature]

Fifth Third Bank

## EXHIBIT A

### Rolling Stock

#### Locomotives

Mark	Number	Builder	Type	H.P.	Built	Serial #	Frame #	Acquire	Assign	Owner	Status
AZER	2039	EMD	GP-20	2000	1961	26308	7595-005	2004	AZER	AZER	active
AZER	2044	EMD	GP-20E	2000	1962	27353	5634-	2004	AZER	AZER	active
AZER	2045	EMD	GP-20R	2000	1961	26311	7595-008	2004	AZER	AZER	active
AZER	2046	EMD	GP-20R	2000	1961	26312	7595-009	2004	AZER	AZER	active
AZER	2170	EMD	GP-20	2000	1960	25703	7583-16	2004	AZER	AZER	active
AZER	2171	EMD	GP-20	2000	1960	26291	7594-	2004	AZER	AZER	active
AZER	2501	EMD	GP-35	2250	1961	28403	7662-006	2004	AZER	AZER	active
AZER	2502	EMD	GP-35	2250	1965	30219	7780-003	2004	AZER	AZER	active
AZER	2503	EMD	GP-35	2250	1965	30221	7790-005	2004	AZER	AZER	active
TNMR	852	EMD	GP-7	1500	1951	11937	5041-	2003	TNMR	IL	active
WTLC	3635	EMD	GP-38	2000	1969	35375	7191-	2003	WTLC	IL	active
SLRG	453	EMD	F-40M	3000	1978			2006	SLRG	IL	active
SLRG	455	EMD	F-40M	3000	1978			2006	SLRG	IL	active
SLRG	456	EMD	F-40M	3000	1978			2006	SLRG	IL	active
SLRG	459	EMD	F-40M	3000	1978			2006	SLRG	IL	active
SLRG	1100	EMD	F-9	1500	1949			2006	SLRG	IL	o/s
SLRG	1114	EMD	F-9	1500	1949			2006	SLRG	IL	o/s
SLRG	462	EMD	F-40 slug	n/a	1978			2006	SLRG	IL	o/s
SLRG	460	EMD	F-40 slug	n/a	1978			2006	SLRG	IL	o/s
SLRG	461	EMD	F-40 slug	n/a	1978			2006	SLRG	IL	o/s
TPW	2050	EMD	GP-20	2000	1960	25592	7584-20	2005	WTLC	SLRG	o/s
TPW	2052	EMD	GP-20	2000	1960	25576	7584-4	2005	WTLC	SLRG	o/s
TPW	2054	EMD	GP-20	2000	1960	25577	7584-5	2005	WTLC	SLRG	o/s
TPW	2056	EMD	GP-20	2000	1960	26877	7603-47	2005	WTLC	SLRG	o/s
TNMR	2078	EMD	GP-16	1600	1952	16982	5152-8	2005	TNMR	SLRG	o/s
TNMR	2151	EMD	GP-7	1500	1953	18888	6522-8	2005	TNMR	SLRG	o/s

#### Acquired by Permian Basin Railways in December, 2006

GE B39-8 Locomotive (Bearing reporting marks RLCX8524)

GE B39-8 Locomotive (Bearing reporting marks RLCX8527)

GE B39-8 Locomotive (Bearing reporting marks RLCX8537)

GE B39-8 Locomotive (Bearing reporting marks RLCX8542)

GE B39-8 Locomotive (Bearing reporting marks RLCX8577)

## Freight and Passenger Cars

Mark	Number	Builder	Type	Built	Cap	Acquire	Assign	Owner	Status
RPCX	2948	Pullman	Coach	1955	108-pax	2002	SLRG	Isla Largo	In Svc
RPCX	2968	Pullman	Coach	1955	108-pax	2002	SLRG	Isla Largo	In Svc
RPCX	2970	Pullman	Coach	1955	108-pax	2002	SLRG	Isla Largo	In Svc
RPCX	2974	Pullman	Coach	1955	108-pax	2002	SLRG	Isla Largo	In Svc
AZER	5064	Greenbrier	Flat	1968	70 tons	2004	AZER	AZER	In Svc
AZER	5082	Greenbrier	Flat	1968	70 tons	2004	AZER	AZER	In Svc
AZER	5097	Greenbrier	Flat	1968	70 tons	2004	AZER	AZER	In Svc
AZER	5189	Greenbrier	Flat	1968	70 tons	2004	AZER	AZER	In Svc
AZER	5201	Greenbrier	Flat	1968	70 tons	2004	AZER	AZER	In Svc
AZER	5221	Greenbrier	Flat	1968	70 tons	2004	AZER	AZER	In Svc
AZER	5224	Greenbrier	Flat	1968	70 tons	2004	AZER	AZER	In Svc
AZER	5226	Greenbrier	Flat	1968	70 tons	2004	AZER	AZER	In Svc
AZER	5312	Greenbrier	Flat	1968	70 tons	2004	AZER	AZER	In Svc
AZER	5313	Greenbrier	Flat	1968	70 tons	2004	AZER	AZER	In Svc
AZER	5327	Greenbrier	Flat	1968	70 tons	2004	AZER	AZER	In Svc
AZER	5328	Greenbrier	Flat	1968	70 tons	2004	AZER	AZER	In Svc
AZER	5341	Greenbrier	Flat	1968	70 tons	2004	AZER	AZER	In Svc
AZER	5352	Greenbrier	Flat	1968	70 tons	2004	AZER	AZER	In Svc
AZER	5369	Greenbrier	Flat	1968	70 tons	2004	AZER	AZER	In Svc
AZER	5388	Greenbrier	Flat	1968	70 tons	2004	AZER	AZER	In Svc
AZER	5407	Greenbrier	Flat	1970	70 tons	2004	AZER	AZER	In Svc
AZER	5460	Greenbrier	Flat	1968	70 tons	2004	AZER	AZER	In Svc
AZER	7013	Greenbrier	Flat	1966	70 tons	2004	AZER	AZER	In Svc
AZER	7040	Greenbrier	Flat	1966	70 tons	2004	AZER	AZER	In Svc
AZER	5508	Greenbrier	MW-Flat	1956	100 tons	2004	AZER	AZER	In Svc
AZER	8771	Magor	MW-Side dump	1929	70 tons	2004	AZER	AZER	In Svc
AZER	1208	Magor	MW-Side dump	1929	70 tons	2004	AZER	AZER	In Svc
AZER	1144	Pullman-Standard	MW-Ballast	1957	70 tons	2004	AZER	AZER	In Svc
AZER	3892	Pullman-Standard	MW-Ballast	1963	100 tons	2004	AZER	AZER	In Svc
TNMR	5507	Unknown	MW-Flat	1951	50 tons	2002	TNMR	TNMR	In Svc
TNMR	5506	Unknown	MW-Flat		50 tons	2002	TNMR	TNMR	In Svc

# **Maintenance of Way Equipment**

Year	Make	Model	Type	VIN #	Assign	Leinholder	Value
1995	Kershaw	BR690	26-2-2 Ballast Regulator	s/n 26-1881	TNMR	SBC Capital	\$ 50,000.00
1992	Kershaw		Ballast Regulator		AZER		\$ 25,000.00
	Jackson	2400	Tamper		AZER		\$17,500.00
	Jackson	950	Tie Crane		AZER		\$ 3,500.00
	Pettibone		Speed Swing		AZER		\$22,500.00
	Geismar		Tie Remover		AZER		\$5,000.00
	Unknown		Portable Weed Sprayer		TNMR		\$ -
	Unknown		Push Cart		TNMR		\$ -
	Unknown		Push Cart		AZER		\$ -
	Unknown		Push Cart		AZER		\$ -
	Unknown		Push Cart		AZER		\$ -
	Unknown		Push Cart		AZER		\$ -
	Pettibone	441B	Speed Swing		SLRG		\$ 30,000.00
	Canron	BEB	Ballast Regulator		SLRG		\$ 40,000.00
	Fairmount Tamper	ETDAG		s/n 487630, unit TT-616	AZER	Santa Barbara B & T	\$ 65,000.00
	Fairmount Tamper	ECTR-130G		s/n 3581194, unit TT-589	TNMR	ACC Capital	\$ 60,000.00

STATE OF ILLINOIS       )  
                                      ) ss  
COUNTY OF COOK        )

On this 20<sup>th</sup> day of June, 2007, before me, a Notary Public of the County and State aforesaid, personally appeared Ed Ellis to me personally known, who being by me duly sworn, says that he is the President of Permian Basin Railways, Inc., an Illinois corporation, that said instrument was signed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

AS WITNESS my hand and notarial seal.

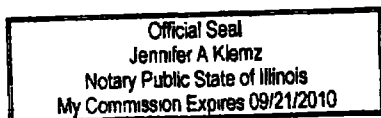


Jennifer A. Klemz  
Notary Public  
My Commission Expires:  
9/21/2010

STATE OF ILLINOIS       )  
                                      ) ss  
COUNTY OF COOK        )

On this 20<sup>th</sup> day of June, 2007, before me, a Notary Public of the County and State aforesaid, personally appeared Ed Ellis to me personally known, who being by me duly sworn, says that he is the Manager of Central Car Repair, LLC, an Illinois limited liability company, that said instrument was signed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

AS WITNESS my hand and notarial seal.



Jennifer A. Klemz  
Notary Public  
My Commission Expires:  
9/21/2010



STATE OF ILLINOIS       )  
                                      ) ss  
COUNTY OF COOK       )

On this 20<sup>th</sup> day of June, 2007, before me, a Notary Public of the County and State aforesaid, personally appeared E. E. Ellis to me personally known, who being by me duly sworn, says that he is the Manager of Isla Largo, LLC, an Illinois limited liability company, that said instrument was signed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

AS WITNESS my hand and notarial seal.



Jennifer A. Klemz  
Notary Public  
My Commission Expires:  
9/21/2010

STATE OF ILLINOIS       )  
                                      ) ss  
COUNTY OF COOK       )

On this 20<sup>th</sup> day of June, 2007, before me, a Notary Public of the County and State aforesaid, personally appeared Orange Schuth to me personally known, who being by me duly sworn, says that he is the Vice President of Fifth Third Bank (Chicago), a Michigan banking corporation, that said instrument was signed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

AS WITNESS my hand and notarial seal.



Jennifer A. Klemz  
Notary Public  
My Commission Expires:  
9/21/2010